

Presentation to the IURC

7/27/01

Presentation Summary

- Discuss Citizens Gas' actions during winter 2000/2001
- Discuss actions Citizens has taken since last winter
- Review Citizens' plans for winter 2001/2002

Proactive Communications Efforts

- Communicated higher prices as early as August 2000 in order to alert customers
- Stressed budget payment plan, conservation and weatherization in ongoing messages using a variety of mediums

Communications Mediums

- Television advertising
- Pipeline newsletter
- Web site
- Speaker's bureau
- Customer education

Results of Communications Efforts

- 15 percent increase in budget enrollment to 97,000 customers out of 240,000 (about 40 percent).
- Surveys show 50 percent of customers remember exposure to CGCU messages. About 38 percent took action as a result.
- Gas sendout was 5 percent less in January 2001 than in 2000 as a result of conservation efforts by customers.

Customer Service

- Customer service associates were the most important element to the success of Citizens Gas customer communications during the winter of 2000/2001.

Customer Service Training

- Associates were trained to have a basic knowledge of gas appliances.
- Conservation and energy saving tips were included in associate training.
- Associates were trained to understand available financial assistance programs.
- Citizens Case Specialists helped customers to obtain assistance with food, temporary shelter and weatherization.

Programs and Services

- Citizens Gas invested \$75,000 (amount matched by Indiana Family & Social Services Administration) in home weatherization programs to assist low-income homeowners.
- Partnered with Lowe's Home Improvement Center to promote weatherization.
- Citizens Gas donated \$200,000 to the Warm Heart Warm Home Foundation™.
- Race for Heat was held in November 2000 to raise funds for Warm Heart Warm Home Foundation™.
- Partnered with McDonald's to raise funds for the Foundation.
- Citizens participated in the development and implementation of the HELP 2001 program.

Customer Support Services

- Extended customer service hours in call center, lobby and drive-thru which allowed Citizens to take 12 percent more calls than previous years and interview 25 percent more customers overall.
- Modified budget payment plan to allow signup while carrying a balance.
- Developed customer assistance checklist.
- Revised credit policies by waiving charges and collection fees and extended credit periods.
- Instituted a moratorium on collection between December 2000 and April 2001.
- Conducted door-to-door outreach efforts.
- Provided updates to social services providers.

Financial Summary

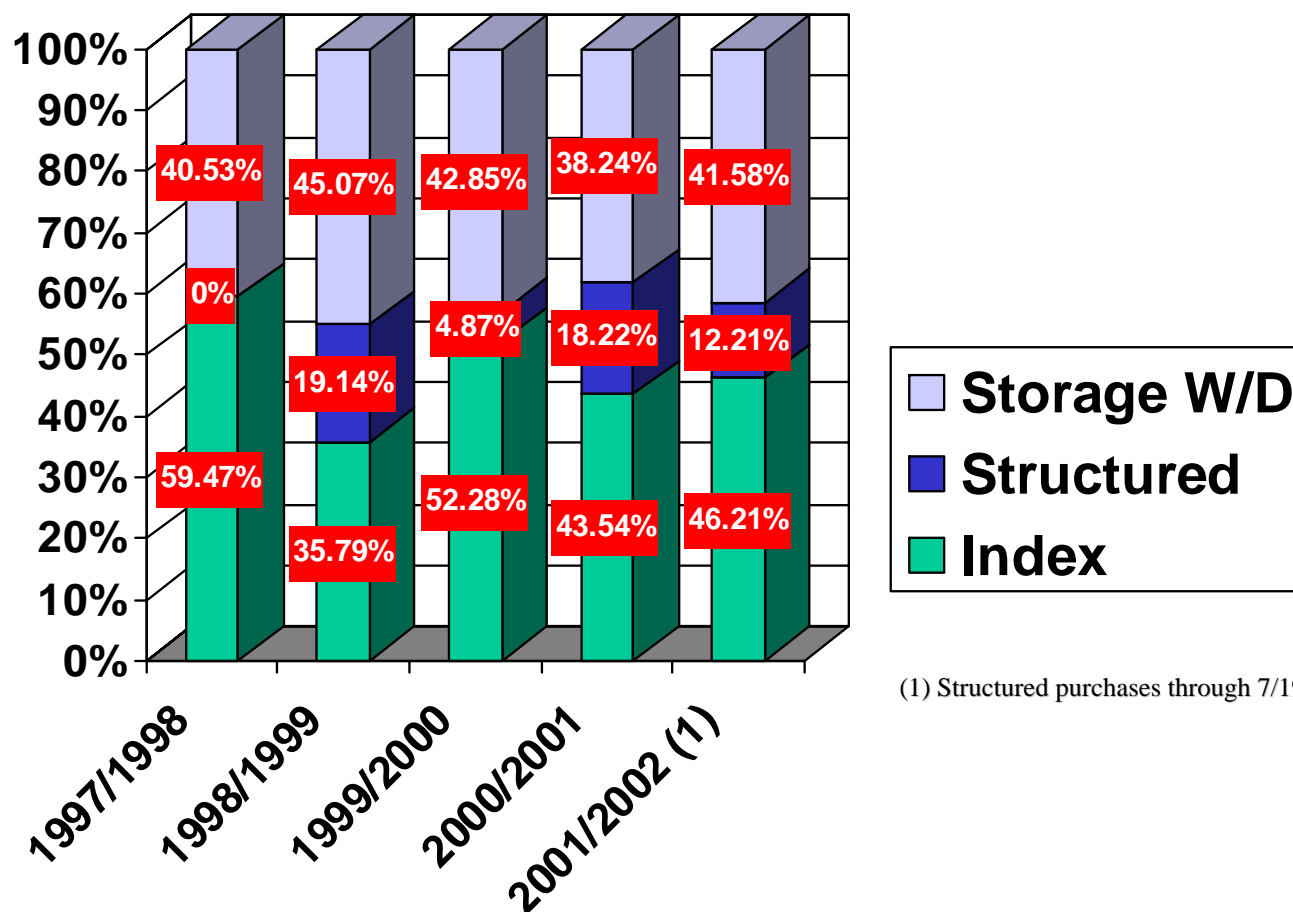
- Citizens sold Oklahoma assets resulting in a \$4 million rate reduction.
- Citizens Gas under-recovered \$60 million of gas costs between June 2000 and February 2001 resulting in \$2.9 million of increased carrying costs.
- Write-offs will increase by an estimated \$2.6 million from last year.
- \$2.9 million will not be recovered in rates as a result of increased unaccounted for gas costs.
- Citizens will spend \$80 million to refill storage inventory in summer 2001, resulting in carrying costs of \$2 million.
- Citizens will write off an estimated \$1.9 million in un-collectible accounts that will not be recovered in rates.
- Citizens has been able to maintain its credit rating.

Gas Purchasing

- Formed cross-functional acquisition team
- Performed risk assessment of fixed pricing
- Added new gas price hedging mechanism (Planalytics and Kase & Company software-based hedging tools)
- Formalized ratable purchase practices
- Modified quartile purchasing mechanism
- Monthly gas acquisitions report

Actions Since Winter 2000/2001

Winter Sendout Supply Source



Storage

- To-date, Citizens Gas has been able to procure gas for storage. We expect to have facilities filled prior to winter 2001/2002.



Rates

- Natural gas commodity prices have followed a downward trend since January.
- It is too early to predict what will happen this winter because many variables, like the weather, can have a significant impact on winter natural gas prices.

Disconnect/Re-connect

- Between April 3, 2001 and June 29, 2001, Citizens Gas has disconnected 15,432 customers.
- About 44 percent of those customers have re-established service.
- Citizens Gas has implemented the Zero Balance program to encourage more people to re-connect their gas service before winter.

Zero Balance Postcard

<p>Has your gas been shut off?</p> <p>Call 924-3311 today...</p>	<p>Now's the time to get to \$0 before it gets to 0°.</p> 	 <p><small>2020 N. Meridian Street Indianapolis, IN 46202-1393</small></p> <p>If your gas has been turned off, Citizens Gas would like to help you get it turned back on.</p> <p>Call 924-3311 Now.</p> <p>Mention this post card and you'll save \$183 toward reconnecting your service.</p> <p>We want to help you get the balance of your bill down to \$0, so you and your family will be warm this winter.</p>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> <p><small>PRESORTED STANDARD US POSTAGE PAID INDIANAPOLIS IN PERMIT NO. 49</small></p> </div>
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Plans for Winter 2001/2002

- Build on previous communications and customer service efforts.
- Citizens Gas will double contributions to our Warm Heart Warm Home Foundation™ and our weatherization programs.
- Citizens will participate in EPA Energy Fair in October 2001.